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November 10, 2017

**VIA E FILING**

Jocelyn D. Boyd, Esquire  
Chief Clerk and Administrator  
South Carolina Public Service Commission  
101 Executive Center Drive  
Columbia, SC 29210

RE: Application of Carolina Water Service, Inc. for Adjustment of Rates and Charges  
and Modifications to Certain Terms and Conditions for the Provision of Water  
and Sewer Service  
Docket No. 2017-292-WS

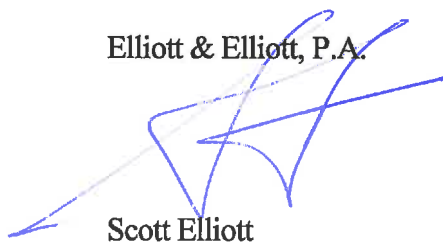
Dear Ms. Boyd:

Enclosed please find for filing the Application with Exhibits in connection with the above-referenced matter. By copy of this correspondence, I am also notifying the Office of Regulatory Staff.

If you have any questions, or if I may provide you with any additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.



Scott Elliott

SE/lbk

Enclosures

cc: Jeffrey M. Nelson, Esquire (w/encl.)  
Florence P. Belser, Esquire  
Jenny R. Pittman, Esquire

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**

**DOCKET NO. 2017-292-WS**

IN RE: Application of Carolina Water Service, Inc., )  
for Adjustment of Rates and Charges )  
and Modifications to Certain Terms )  
and Conditions for the Provision of Water )  
and Sewer Service )

**APPLICATION**

Carolina Water Service, Inc. ("Carolina Water", "Applicant" or "Company") would respectfully show unto, and request of, the Public Service Commission ("Commission") as follows:

**BACKGROUND**

- 1) Applicant is a corporation organized and existing under the laws of the State of Delaware and authorized to do business in the State of South Carolina.
- 2) Applicant is a public utility, as defined by S.C. Code Ann. §58-5-10(4), providing water and sewer service to the public for compensation in certain areas of South Carolina.
- 3) All communications or inquiries regarding this Applicant should be directed as set forth below:

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**REQUEST FOR RATE RELIEF AND APPROVAL OF  
RATE SCHEDULE MODIFICATIONS**

4) Pursuant to S.C. Code Ann. §58-5-240 and 26 S.C. Code Ann. Regulations. RR. 103-712.4.A and 103-512.4.A, Applicant requests that the Commission approve the monthly water and sewer service charges set forth in the rate schedules attached hereto and incorporated herein by this reference as Exhibit A. The Company also requests approval of any and all fees and charges contained in these schedules.

**SUPPORTING DOCUMENTATION**

5) Applicant proposes a test year of September 1, 2016, to August 31, 2017, and has prepared certain financial statements relating to that time period in support of the Application, which statements are attached hereto and incorporated herein by this reference as Exhibit "B." These financial statements include the following:

- a. Balance sheet (Schedule A)
- b. Current and pro forma income and expense statements (Schedule B)

Applicant also submits, as Exhibit "B", the following information in support of the Application:

c. Rate base, rate of return information and Statement of Total Plant Investment (Schedule C).<sup>1</sup>

d. Water and sewer consumption analyses (Schedule D)

e. Water and sewer proposed revenues (Schedule E)

f. Schedule of current and projected customers (Schedule F)

g. Effect of proposed rates (Schedule G)

6) Attached hereto and incorporated herein by this reference as Exhibit “C” are the most recent approval letter from the South Carolina Department of Health and Environmental Control (“DHEC”).

7) Attached hereto and incorporated herein by this reference as Exhibit “D” is the Company’s current customer bill form.

8) Attached hereto and incorporated herein by this reference as Exhibit “E” is evidence of the Company’s most recent Gross Receipts Tax filing.

9) Attached hereto and incorporated herein by this reference as Exhibit “F” is the Company’s proposed Utility System Improvement Rate, together with example calculations of water and sewer rates.

10) The Company’s Annual Report for the last period is on file with this Commission.

11) The Company’s current rate schedules, approved by Order No. 2015-876, are on file with this Commission.

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<sup>1</sup> These calculations are for informational purposes only as Applicant will submit evidence with respect to proper returns on equity and rate base at hearing.

12) On file with this Commission is a performance bond to satisfy the requirements of S.C. Code Ann. § 58-5-720.

13) A map depicting Applicant's current service area is on file with the Commission.

14) The financial statements, other documents submitted herewith, and references to documents on file with the Commission are offered to comply with Commission Rules R. 103-512.4 and R. 103-712.4 and to provide information useful to the Commission in considering the reasonableness of the proposed rate schedule.<sup>2</sup>

#### **NEED AND JUSTIFICATION FOR RATE RELIEF**

15) Applicant submits that the proposed rate increase is necessary in order that it may provide reasonable and adequate service to its customers, cover its expenses, be permitted an opportunity to earn a reasonable return on its investment, and attract capital for future improvements. The proposed rates are also necessary to allow the Applicant to comply with the standards and regulations set by DHEC and other environmental regulatory authorities, to preserve the financial integrity of Applicant, promote continued investment in and maintenance of its facilities, and thereby permit Applicant to continue providing reliable and high-quality water and sewer services.

#### **REQUEST FOR RATE BASE TREATMENT**

16) Applicant further submits that given its substantial plant investment, and specifically the rate base reflected on Schedule C of Exhibit "B," Applicant is entitled to

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<sup>2</sup> Because Applicant utilizes a composite depreciation rate of 1 ½%, no depreciation schedule by categories of plant or average service lives exists. The Applicant will, of course, make available during the audit copies of the Company's depreciation work papers.

have the reasonableness of its proposed rates determined in accordance with the rate base methodology. Accordingly, Applicant requests rate base treatment in this proceeding.

17) By Order No. 2015-876 in Docket No. 2015-199-WS, the Commission approved recovery of the cost of its purchased water and sewer treatment as an expense incurred in the course of providing service which had the benefit of stabilizing the rates associated with water and sewer service, eliminated delays associated with the monthly apportionment of third-party provider charges, and streamlined customer billing. To implement this cost recovery, the Commission approved two regulatory deferred accounts authorizing Carolina Water 1) to record and monitor all rate increases from third-party providers for water supply and sewer treatment; and 2) to recover non-revenue water expenses. The Commission authorized Carolina Water to seek recovery of the balance of these deferred accounts, subject to audit by ORS and approval by the Commission in a subsequent rate case. The deferred accounts have protected Carolina Water's customers from fluctuating water commodity and sewer treatment rates while providing the Company the opportunity to recover the cost of purchased water and sewer treatment services from third-party providers. In this application Carolina Water is seeking recovery of the balance in the regulatory deferral account associated with increases in purchased water from bulk water providers.

18) By notice dated October 9, 2017, the Town of Lexington ("Town" or "Lexington") notified Carolina Water of the Town's intention to condemn Carolina Water's I-20 waste-water service territory which serves approximately 2,300 customers. The I-20 waste-water system consists of the following subdivisions: Woodsen, Sandy Pines, Laurel Meadows, Savannah Point, Agape Village, Brighton Forest, Hidden Valley, Mineral Springs

MHP, Midland Utilities (Vanarsdale), Spring Lake/Dutchwood, Spring Hill, Oakcrest, Timbergate, Meadowood, Mineral Creek, Maple Grove, Autumn Oaks, Cunningham Park, Planters Station, Keystone Commons, Bradford Estates, Grayland Forest, Woodcastle, Sparrow Point, Golden Pond, Woodberry Forest, Sommersett, Oak Grove Est., and Courtside Commons. This application anticipates and, therefore, reflects the removal of the I-20 waste-water system.

19) Carolina Water seeks Commission authority to create a Utility System Improvement Rate (“USIR”) to permit the Company to recover the reasonable and prudent capital investments incurred to repair, improve, or replace eligible system improvements that are part of the Company’s aging utility system. The proposed rate provides a procedure whereby the Company may petition the Commission for recovery of capital investments of eligible improvements as defined by the USIR without the Company filing a new general rate case. The USIR provides for notice and an opportunity for customers to be heard and a cap on the recovery of eligible capital investments of ten percent (10%) of the total annual service revenues approved by the Commission in this rate case. The Company does not seek recovery of any capital investments under the USIR in this docket.

20) Carolina Water also seeks Commission authority to amend its Cross-Connections Inspection conditions to require residential customers to test their back-flow devices every two (2) years (as opposed to every year as currently required) and to authorize the Company to terminate service to any customer, after notice, who fails to demonstrate that its back-flow device is operating properly.

21) The Company seeks authority to increase its Water Meter Installation charge from \$35 to \$45 to more closely reflect the utility’s cost.

22) The Applicant seeks authority to limit the liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, to those remedies provided in the Commission's rules and regulations governing water and wastewater utilities.

**WHEREFORE**, having fully set forth its Application, Carolina Water Service, Inc. respectfully requests that the Commission approve the rates, charges, terms and conditions proposed and grant to Applicant such other and further relief as the Commission may deem just and proper.

Respectfully submitted,

ELLIOTT & ELLIOTT, P.A.



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Columbia, South Carolina  
November 10, 2017